FOREIGN AGRICULTURE

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1958

U.S. soybeans in German port

Austrian Farm Supports
The World Tea Picture
Japan's Modern Soap Industry

UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

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To report and interpret world agricultural developments.

U.S.-Soviet Agricultural Exchange

The United States and the Soviet Union have opened their doors to a freer exchange of information on agriculture.

This summer and fall, U.S. scientists will travel through the farmlands of the Soviet Union, visiting research stations and institutions. Their observations will cover such broad subjects as agricultural economics, crops, soil and water use, veterinary science, mechanization, cotton growing, and plant physiology.

At the same time, Russian scientists will come to this country to observe certain aspects of our agriculture.

This exchange is a good thing. Some years ago, our scientists actively exchanged information with Russian scientists. More recently, there has been too little contact between them.

Each country stands to gain by these observations. The United States has excelled in actual production and in marketing. Yet there may be gaps in our knowledge that can be filled in by Soviet scientists. And although this exchange is primarily of a scientific and technical nature, it is bound to lead to a better understanding between the peoples of this country and the USSR.

Cover Photograph

U.S. soybeans being loaded on a canal barge at Hamburg for delivery to West Germany's inland milling centers. See story on page 19. (Photo by Phil S. Eckert.)

In This Issue

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Photos courtesy Austrian Information Service

Natural conditions favor grassland farming in the west and mixed farming in the east. Government supports help keep the balance lest eastern farmers stress cattle and dairying.

Austria's Farmers Have Strong Government Support

By Ernest Koenig
European Analysis Branch
Foreign Agricultural Service

AUSTRIA'S FARM policy aims at a high degree of self-sufficiency in food and the maintenance of a stable agricultural population. The first of these aims has been primarily determined by the experience of two World Wars and their aftermath, when great numbers of Austrians went hungry because not enough food could be imported. The second aim derives from the thought that social stability can be best achieved if a sizable part of the population remains in agriculture.

The structure of Austria's farming also influences agricultural policy. Natural conditions favor grassland farming in the west and mixed farming in the east. To balance supply the prices of certain key products must be kept above the level to which they would fall in the absence of government intervention. For instance, if bread grain prices were much below the present support levels, farmers in eastern Austria would more strongly emphasize cattle raising and dairying—the western farmers' main line of production—with the result of an overall decline in prices and incomes.

These considerations are similar to those underlying the agricultural policy of Switzerland, a country whose natural conditions, ways of farming, and political status resemble those of Austria. But Austria's farm policy has been determined by other developments as well.

During 1948-51, inflationary pressure led to several so-called price-wage agreements, on the basis of which the prices of essential goods, including certain farm products, and wages were fixed. Fixed prices of farm products represented originally maximum prices; but as Austria's agriculture progressively recovered, they became minimum —that is, support—prices.

The farm support program entails strict regulation of the marketing of some agricultural products, such as bread grains, milk, and dairy products, and somewhat more elastic controls over others, such as livestock, livestock products, and sugar beets. The support program also includes price fixing and subsidization. Most farm products free of government regulation are directly or indirectly protected against foreign competition. Only a few of the domestically produced agricultural commodities are exempt from import controls. The occasional export surpluses are mostly subsidized.

The principal executive organs of the farm program are the Grain Equalization Board, the Livestock Trading Board, and the Milk Economy Board. These are semiofficial institutions, in which agriculture, business, and labor are equally represented. They implement the government's farm policy jointly with the Ministry of Agriculture and other appropriate ministries. Their task is apparently facilitated by the fact that, within limits, most economic and political groups in the country prefer regulated trading and administrative pricing to free competition.

Grains

Farm prices of bread grains are fixed. In recent years they amounted to $2.62 per bushel for wheat and to $2.25 per bushel for rye. These grain prices are gradually increased each month after the harvest to cover the risk and storage costs of selling at a later date. The government pays flour mills a straight subsidy for all wheat or rye purchased—58 cents per bushel for wheat and 54 cents for rye. The costs of these products to mills are therefore only $2.04 and $1.71 per bushel.

Retail prices of bread and flour, also fixed, are related to the mill prices. However, millers pay a levy on wheat and receive a bonus on rye milled, so as to keep the price of dark bread below that of white bread. Since producer and retail prices of bread grains and flour are the same throughout the country, transport costs are equalized and the margins of middlemen (millers, traders, bakers) are strictly regulated.

Feed grain prices are usually not fixed except for corn, of which Austria produces much less than it needs. The importance of corn among the feed grains is such as to influence the prices of other feed grains. The domestic marketing price of corn now amounts to $1.95 per bushel.

The marketing scheme for grains is administered by the Grain Equalization Board, which also has the important task of regulating imports. In the light of each year's prospective domestic supplies, the Board decides the amount, quality, time, and origin of imports. It awards import licenses for grains, not necessarily on the basis of the lowest bid by importers, but also with a view to the effects of foreign purchases on Austria's trade agreements and balance of payments. Importers must pay compensatory levies if the foreign costs of bread grains are below the domestic price; in the opposite case imports of bread grains are subsidized. At present, subsidies are also paid for corn imports, since the domestic sales price for imported corn is fixed below world market prices.

Dairy Products

The Milk Economy Board controls the country's dairy and milk economy. It allocates milk sheds and markets, the only places where milk producers are allowed to sell and dairy plants to buy. It also administers the pricing of dairy products.

Producer and consumer prices of milk are fixed. The producer price amounts to 7 cents per quart, including a federal subsidy of 2 cents. The retail price amounts to 8.4 cents. Producer and consumer prices are equalized on all markets through levies on producers, the pooling of transport costs among dairy plants, and the control of profit margins at the different stages of marketing.

Milk surpluses are usually processed into butter. When butter surpluses appear, as they have recently, they are exported with the help of subsidies. To cope with surpluses, the Austrian Association of Milk and Cheese Producers withholds one-fifth of the 2-cent federal subsidy included in the producer price of milk. The proceeds of these levies are used to subsidize butter exports. Thus export prices of high-quality butter in 1957 averaged only 38 cents per pound while the domestic price amounted to 56 cents.

Livestock, Meat, and Lard

Livestock- and meat-marketing is regulated by the Livestock Trading Board, which attempts to stabilize market prices within certain limits. In 1957 the floor price for hogs was 22 cents a pound (live weight), the ceiling price 23.5 cents. The average price was 23 cents.

Whenever the supply of slaughter livestock at the Vienna market—which is the country's most important meat market—exceeds demand and prices tend to fall, the Board intervenes on behalf of the government by purchasing and storing excess supplies. If, on the contrary, domestic supplies fall short of demand and prices rise above the ceiling, licenses are issued for the importation of slaughter animals. If the import price is below the domestic price, importers pay a compensatory levy, due allowance being made for their services and profit margins.

The Livestock Trading Board also administers the Cattle Fattening Act which obliges sugar beet growers in the eastern plains to fatten a certain number of cattle in proportion to the quantity of sugar beets harvested. The purpose of this measure is to support cattle prices, which tend to fall in autumn, when mountain farmers reduce their herds; for after the return from the mountain pastures, only limited feed supplies are available.

Though Austria is practically self-sufficient in livestock and meat, and its foreign trade in these products involves only marginal quantities, it is not self-sufficient in lard. The domestic price of lard is fixed. Import licenses for lard are granted by the Livestock Trading Board, which also helps in equalizing foreign and domestic lard prices. Since lard is the most important edible fat in the average diet, the regulation of its price has a bearing on the prices of other fats and oils.

Sugar Beets

The minimum price of sugar beets is fixed. If the sugar content of beets exceeds 15 percent, the producer price rises above the minimum according to a formula agreed upon between sugar beet growers and beet processors. For sugar too, prices—both wholesale and retail—are fixed within narrow limits. The equalization of transport costs, made necessary by the uniformity of sugar prices throughout the country, is largely effected through mutually agreed arrangements of private business. So is the setting of profit margins.

Other Support Measures

In addition to the support given to the major agricultural products, the government helps farmers in other ways. It subsidizes farm inputs, such

(Continued on page 22)

Indonesian women picking tea near Bandung. Both quality and quantity are affected by way tea plant is plucked.

Photos courtesy FAO

Tea—Enough Today, Too Much Tomorrow

By William F. Dobbins
Import Division
Foreign Agricultural Service

FOR SEVERAL YEARS during and after World War II, tea was in short supply. Many of the tea gardens in Southeast Asia had been devastated by fighting and enemy occupation; others had been neglected. Shipping was a problem too, with the result that in England tea was rationed, in the United States it was under import control.

Today the tea industry faces a situation which is not unlike that of many other commodities; namely, overproduction. The surplus specter is still somewhat faint. Excess production during the past few years has not been too alarming. But the fact remains that, although more people drink tea than any other beverage, consumption is lagging while production is mounting.

For the primary tea-growing countries of the world any drop in tea prices spells trouble. Tea is their leading source of revenue. Tea is also a big foreign exchange earner—in the case of India and Ceylon, the biggest. Among the less-developed countries in Africa tea is a potential moneymaker that is being counted on to help finance their expansion schemes.

Tea-Growing Countries

Currently, tea is grown in some 23 countries of the world, but only about half of them produce in sufficient quantity for the export market. India and Ceylon produce over 60 percent of the world's total—not including that grown in Communist China and Russia. Indonesia is another large tea exporter, although production today is only about 70 percent of the prewar total. Japan, Pakistan, and Formosa also rank as exporters. Among the African exporting countries, Kenya, Nyasaland, and Mozambique lead, followed by Uganda, Tanganyika, and the Belgian Congo.

Tea is also grown, though primarily

Photo by Gordon Schlubatis

Young tea plants in Kenya are shaded against African sun with fiber tents.

Women not only make the best pluckers but in Indian hill country they carry leaves to tea plants on their heads.

for domestic consumption, in Turkey, Malaya, Iran, Southern Rhodesia, Mauritius, Argentina, Brazil, and Peru. Various attempts have been made, some as early as 1800, to grow tea in the United States. Teas of excellent quality were produced in South Carolina, but failure to establish the industry generally has been laid to high production costs.

Before the war, world tea production averaged around 991 million pounds a year. By 1956, this figure had jumped to 1,524 million pounds, and an additional 40 million pounds was indicated for 1957. As with many of the world's crops, this increase is being realized from fewer acres in some of the primary producing countries, through improved production practices, especially the wider use of fertilizers and insecticides.

Only part of the increase, however, has occurred in the primary producing countries of Southeast Asia. Many countries which in past years have been customers for tea now produce all or part of their domestic requirements. In other countries, domestic requirements are being fulfilled, and increasing quantities of tea are available for the export market. This is particularly true in Africa.

Sifting tea in Formosa. Ceylon and India are biggest exporters but Formosa, Japan, and Pakistan also rank.

African Production

Actually, the quantity of tea produced in Africa is not as impressive as the rate at which production has increased. During the 5-year period, 1935-39, total production of tea in Africa averaged 20.6 million pounds. In the 1946-50 period, this average had risen to 37.1 million pounds, and by 1957, it was estimated at about 80 million pounds. With the areas planted to tea after the last war just coming into production, a total output of 100 million pounds within a few years is highly probable.

This rapid expansion of the African tea industry has been aided by the strong feeling for "nationalization" that is so evident today in many of the tea-producing countries of the Far East. The confidence of investors in South Indian tea plantations has been shaken by the threat of nationalization of foreign-owned plantations in the State of Kerala, where the Communist Party has assumed power. In Ceylon, too, nationalization is in the air. And recent events in Indonesia, which have led to the expulsion of the Dutch planters and technicians, could very well result in some of them moving to Africa and either beginning new plantations or applying their years of experience to already existing plantations, thereby increasing African production still further. Over the past few years a number of British planters have been gradually shifting their investments and operations from India and Ceylon to African countries.

Consumption Lagging

Yet the African countries are hardly to blame for the tea industry's growing surpluses. World consumption of tea has not kept pace with the increase in world production. It is true that there have been consumption increases in the United Kingdom, the chief market for tea, and also in such countries as Egypt, the Union of South Africa, and India. But in the United States, the second largest importer of tea, and in Canada, tea has faced strong competition from other beverages. Imports for consumption into the Netherlands have lagged behind prewar imports. And this has been the case in other leading consuming countries.

Various reasons have been given for the failure of tea consumption to keep up with production. In Europe, it has been attributed to economy habits formed during scarce years, also to the increased availability of Robusta coffees from Africa, where production has skyrocketed in the last 5 years. This may be a factor in the United States, where soluble coffees, many of which use Robustas in blending, have gained tremendous popularity.

The surplus problem has other ramifications. It's not a case of too much tea but too much plain tea—tea of medium and low grades. Both quantity and quality of tea can be affected by the way in which the plant is plucked. "Fine plucking" means that only the bud and the two youngest leaves of the tea shoot are harvested. "Coarse plucking" takes not only the bud and two young leaves but some of the larger leaves and stems as well.

When tea is scarce, buyers will take what they can get. But when there is plenty of tea, as there is today, discriminating buyers compete for the quality teas. Since a large percentage of the tea produced in the world is plain tea, the question resolves itself into who is going to buy these medium and low grades? The possibility of expanded consumption in India — a large proportion of India's production is plain tea—is almost limitless, but only if tea can be made available to the public at lower prices than prevail now.

Tea Agreement

Were it not for this excess of plain tea, efforts to renew the International Tea Agreement might prove successful. In 1933, the tea growing industry, feeling that it was essential to keep production in broad balance with con-

sumption, drew up the first international tea regulation scheme. Entered into by producers in India, Ceylon, and Indonesia—then the Netherlands East Indies—the Agreement provided for the regulation of exports and the control of acreage for a 5-year period. While the powers of control have not been employed since the war, the machinery of international regulation was kept intact by successive renewals and extensions of the original agreement.

Since March 1955, however, producers have lacked the means of joint action. On that date, the Agreement expired, and it has not been renewed because the former participants have not been able to agree on the increase in standard exports that each should have.

Many Indian producers, when faced with the threat of surplus stocks of plain tea, favor restriction. Ceylon producers, on the other hand, whose output of quality teas is larger, are having less trouble finding markets and consequently are not anxious to cut back production. Even in India, the quality tea producers are opposed to restriction for the same reason. Their argument is that the plain tea producers could improve their quality if they choose.

Another argument that has been advanced against renewal of the Agreement is that without the African producers it loses much of its effectiveness —and so far they have not been interested. (The British African territories participated in the 1938 pact but withdrew after the war.) Tea growers in the major producing countries point out that if the Agreement were to be renewed by the former members only, the burden of restriction would fall on them and the African producers would be free to win a larger share of the market. If prices should rise by restricting production, tea growing would become even more profitable to the African producers because of their lower production costs, and production would tend to increase even further.

No one disputes these arguments. But those who urge renewal feel that the advantages outweigh the disadvantages. They claim that it is better for the major producing countries, which supply the bulk of the world's tea, to act together rather than face an unstable world market separately. And in time, they say, the African countries may be persuaded to enter the Agreement.

Thus, the outlook is not wholly pessimistic. The tea growers of the world have too many tools for control at their command to allow overproduction to build up year after year. Besides the International Tea Agreement, which has many advocates and consequently has not been shelved, there is the possibility that some of the major producing countries will set up their own production controls. Furthermore, there is a definite drive in India and elsewhere toward production of quality tea, which in turn would reduce quantity. And lastly, the tea trade as a whole is convinced of the need for promotional work to increase consumption. India, Africa, the United States, and the Middle East have possibilities for increased consumption, and even though promotional work normally does not yield quick returns, it may pay off over the long term.

Below, tea factory in Formosa. Here leaves are fed through a hopper which breaks them to desired size. Right, tester whose keen senses enable him to grade blends.

Photos courtesy ICA

British Farm Price Supports Reduced By $53 Million*

THE UNITED KINGDOM this spring cut guaranteed prices for milk, hogs, eggs, and wheat. At the same time, it increased the guaranteed price for cattle and the grant for nitrogen fertilizer, but left unchanged the other price guarantees and production grants. The net effect of these decisions, reached after the 1958 Annual Price Review, is to reduce the total value of farm price guarantees and production grants (input subsidies) by the equivalent of some $53 million. This is not far short of the maximum reduction permitted under the Agriculture Act, 1957—that is, 2½ percent, subject to changes in costs.

For the second time in the history of the Annual Review, the National Farmers' Unions refused to agree to the price determinations. The Unions felt that the reductions place an unjustifiable burden on farmers, and particularly on small farmers, for whom milk, hogs, and eggs are basic products. But the government felt that a significant reduction was essential. It pointed out the increased supplies of farm products and their falling market prices; the strain on gold and dollar reserves; the substantial increase in the Exchequer costs of agricultural guarantees; and the effects of increased domestic output on overseas trade, especially with Commonwealth countries.

In its White Paper[1] the government stated that the Exchequer costs of the agricultural guarantees have risen from the equivalent of $577 million in 1955-56 to $672 million in 1956-57 and an estimated $812 million in 1957-58. It recognized that these increases stem in large part from the recent rising cost structure and from decreases in commodity prices generally. But it noted that they also stem in some part from the pressure of increased domestic output on markets already amply supplied.

The government also recognized that agriculture in past years has made substantial contributions to the country's balance of payments. But it went on to say that the recent expansion of gross farm output has been based largely on the production of milk, hogs, and eggs, at a substantial cost in imported feed, and that the value of such output to the balance of payments is doubtful.

In the government's view, what is needed under present circumstances is not a further increase in *gross* output but a selective maintenance or expansion of *net* output at the lowest possible cost per unit. To achieve this end, the government recommends these adjustments:

1. Maintaining arable acreage at about the current size, but emphasizing feed crops rather than wheat.
2. Relying less on imported feed and more on home-produced feed, including grass and grass products.
3. Producing more beef and lamb of the quality wanted by the market.
4. Producing less milk, pigmeat, and eggs.

Much the same production adjustments have been desired by the government for some time. The 1958 price determinations represent a renewed and more decisive effort to bring them about.

Thus, the *milk* price guarantee, which had been increased slightly for 3 years in a row, was cut this year by about 2.5 percent. The guaranteed price for *hogs,* unchanged last year, has now been reduced by nearly 4 percent—the maximum cut permitted for an individual commodity under the Agriculture Act, 1957. The *hen egg* guarantee is down more than 3 percent for the second year in succession. For *wheat,* down 4 percent last year, the cut this year is nearly 2 percent. The *cattle* guarantee, upped the last 3 years, has again been increased by nearly 1 percent so as to raise the premium on quality animals.

The government believes that these changes in support levels, while meeting the requirements of national policy, are also consistent with maintaining a fair and reasonable remuneration for agriculture. Government calculations show farmers' net income trending upward, with the forecast for 1957-58 higher than ever before. This is laid to increases in guaranteed prices and production grants since 1954, the continued increase in agricultural efficiency and output, and, during the past year, decreased feed costs — factors which together have more than offset the increase in other costs. Though the guarantees have now been lowered, the White Paper concludes that with the support they offer, the farming industry should be able to maintain the improvement it has already achieved in net income.

At the same time, the government recognizes the special problem of the small farmers. Noting that this problem raises social as well as economic issues, the government proposes to discuss with the Farmers' Unions possible revisions of the present Marginal Production Schemes, as well as a new scheme, now under preparation, for helping small full-time farmers.

Lower price supports are not expected to bring down Exchequer costs in fiscal 1958-59. Budget estimates for that year show that decreased payments for milk, eggs, grains, and potatoes are offset by increased payments for fatstock, wool, and production grants.

Under the British system of deficiency payments, the Exchequer costs of agricultural support reflect not only the volume and kind of output but also the gap between guaranteed prices and realized prices, which, for the most part, are freely determined in

(Continued on page 24)

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* Prepared in the European Analysis Branch, Foreign Agricultural Service.

[1] *Annual Review and Determination of Guarantees,* 1958, Cmnd. 390.

Dollar Markets ABROAD

WEST GERMANY

By Armin J. Rehling
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Bonn, Germany

THE ECONOMIC RECOVERY of West Germany since World War II has given that country the most most favorable dollar balance in Europe and made it the U.S. farmer's third best foreign customer.

This amazing comeback has not only resulted in a greater per capita purchasing power but has enabled the Germans to return to prewar food consumption levels, in terms of calories. And this, coupled with a growing population that has been augmented by more than 2 million refugees since 1949, has created a strong demand for foods, feeds, and fibers—a demand in which U.S. agriculture has shared as Germany has reopened its import gates.

In 1955, for example, the Federal Republic's farm imports from the United States totaled $294 million and in 1956, $391 million. Then in 1957 these skyrocketed to $528 million, a 79-percent increase over 1955.

It is also significant that, except for a relatively small part, these U.S. agricultural exports to West Germany were dollar sales. In the fiscal year 1955-56, shipments valued at $26.1 million were paid for out of aid grants for West Berlin. By 1956-57 these had dropped to $9.8 million. In addition, U.S. poultry valued at $1.2 million was bought for deutschemarks in a Public Law 480 program. All the rest of the trade in these years was for dollars.

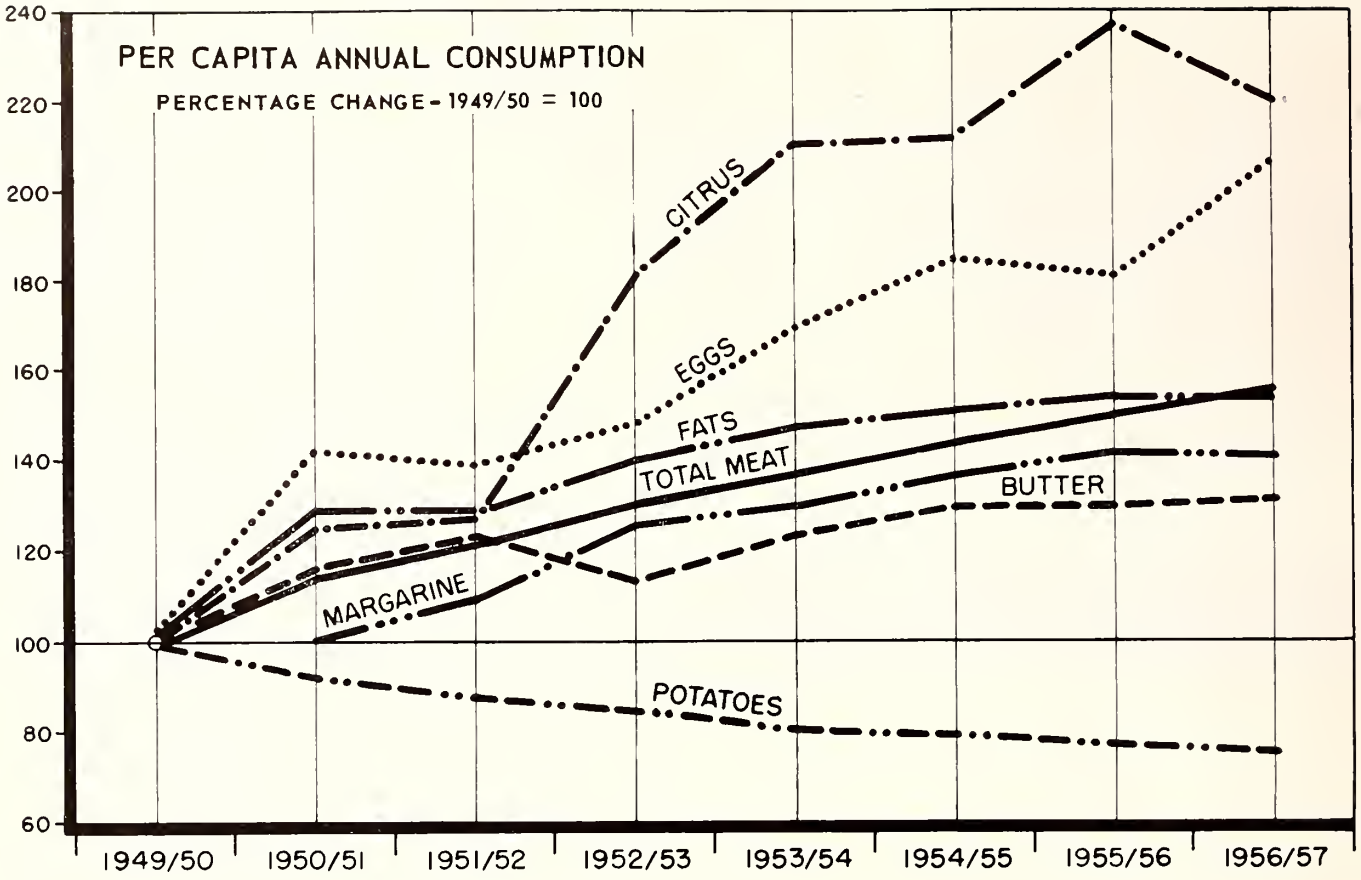
This increased buying of U.S. agricultural commodities results primarily from the Republic's excellent dollar balance. As dollar assets accumulated, West Germany progressively liberalized trade with the dollar area; and for many products that have not been liberalized generous long-term dollar import tenders have been issued.

Other factors too have contributed to this rising agricultural trade with the United States. Visits of German importers and German Government officials to the United States have helped, so have market development programs instigated by the U.S. Department of Agriculture and U.S. farm commodity groups. All of these contacts have created good will and opened the way for U.S. products in Germany.

It would be wrong, however, to imply that West Germany is not again producing a large share of its food needs. Today the country's food output meets about two-thirds of the need, in terms of calories, or approximately the same as before the war. This is no small achievement in view of the fact that the population is now 53 million, or a fourth above prewar.

Also, it should be remembered that the loss of East Germany deprived the country of its finest agricultural lands —lands that always produced a surplus of farm products. In West Germany, agriculture is handicapped by rough topography and a relatively poor soil. Almost two-thirds of the area is either mountainous or hilly, and these unfavorable conditions impose definite limitations on land use and farm organization. Of the slightly over 50 percent that is agricultural land, 39.5 percent is grassland, 56.5 percent cropland, and 4 percent is devoted to vineyards, tree nurseries, gardens, and orchards. Furthermore, many farms are too small for profitable mechanization; only 6.5 percent have more than 50 acres of cropland and some 60 percent have less than 12.5 acres.

While West Germany has done much to overcome these obstacles and boost its agricultural production, by nature it is an industrial country and like other industrial countries must import food. The principal U.S. farm products finding a substantial outlet in West Germany today are: Cotton, tobacco, bread grains, feed grains, soybeans, vegetable oils, citrus fruits, canned fruit and fruit juices, lard, variety meats, tallow, and hides and skins. And since the country's purchasing power has also made possible dietary changes in favor of higher quality foods, U.S.



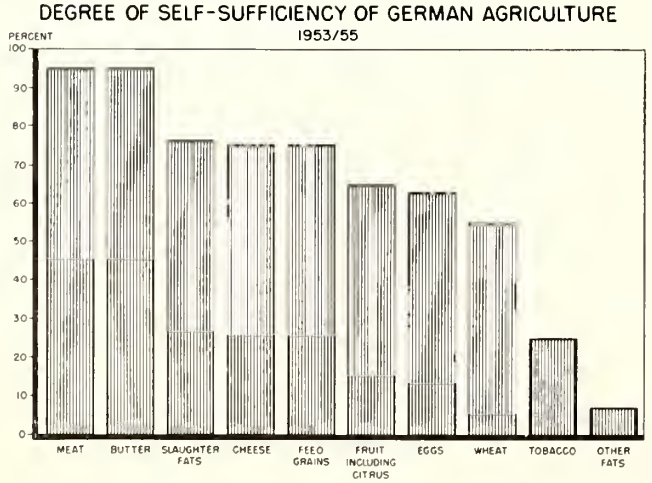
frozen and canned poultry, honey, and dried fruits are being bought in limited amounts.

In terms of percentages, during the crop year 1956-57, the U.S. share of West Germany's imports was—cottonseed oil, 99; soybeans, 98; milo, 86; tallow, 80; linseed oil, 66; cotton, 63; variety meats, 47; tobacco, 38; lard, 32; corn, 31; wheat, 27; fruit and vegetable juices, 22; cattle hides and skins, 21; dried fruits 14; and poultry 6 percent.

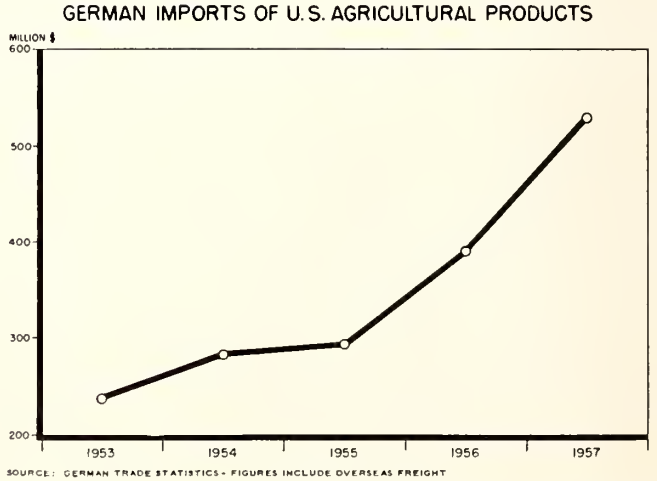
These represent sizable amounts. Yet because of trade commitments with many nations that purchase the products of West German industry, a substantial portion of the Republic's imports comes from trade partners. Still this does not tie up all of the country's trade. West Germany's financial position and its geographic location enable it to shop around the world for imports. And since West Germany does just that, it is imperative for the U.S. exporter to supply a quality product that will find favorable acceptance on the West German market—a product competitively priced, accurately labeled, and in compliance with West German import standards and regulations.

If the U.S. exporter does not do that, this trade which has been so profitable to the U.S. farmer, might very well stop rising and start on the downward trend.

DEGREE OF SELF-SUFFICIENCY OF GERMAN AGRICULTURE



GERMAN IMPORTS OF U.S. AGRICULTURAL PRODUCTS



SOURCE: GERMAN TRADE STATISTICS - FIGURES INCLUDE OVERSEAS FREIGHT

Courtesy Sudan Public Relations Branch

Loading extra long staple cotton in Egypt, the world leading exporter of this fine cotton. Right, cultivating long staple in Sudan; shipping bales of Peruvian cotton.

Courtesy Pan American Union

Extra Long Staple Cotton Faces Surplus Problems

By R. T. Baggett
Cotton Division
Foreign Agricultural Service

THE WORLD'S finest cotton—extra long staple—seems to swing like a pendulum between too little and too much. During the Korean War this premium-quality cotton was scarce and prices were sky high. Today the situation is the reverse. Extra long staple cotton is encountering problems of surplus supplies, slackening demand, and sharply declining prices.

Stocks 20 percent larger at the beginning of the current marketing year resulted in a 100,000-bale increase in the Free World supply, or 11 percent over the 1956-57 year, despite a 15-percent smaller crop. Couple this larger supply with considerably smaller exports this year—except to Communist countries—and price drops of as much as 45 percent from late 1956, and you get serious surplus problems.

Price—The Key Factor

Price is the key factor in the problem of extra long staple cotton. Cotton of the *Barbadense* species yields less per acre than *Hirsutum,* the upland type that constitutes more than 96 percent of the world's cotton. Consequently, to compete for the land it must bring a higher price than upland. But if prices mount, extra long staple cotton faces stiffer competition from synthetic fibers and, to a limited extent, from long staple upland cotton. Further, in three of the four major exporting countries, the bulk of each year's crop of extra long staple cotton must be sold during the year because of its importance as an earner of foreign exchange.

This high-quality cotton is produced mainly in four countries. In the last 9 years, Egypt has accounted on the average for some 58 percent of the Free World production. Sudan ranks second with 30 percent, followed by Peru with 6 percent, and the United States with 5 percent. Small quantities are grown in Aden, British West Indies, and Italian Somaliland.

Production in Egypt dropped substantially following the exceptionally big crop of 925,000 bales in 1952-53; however, increases during the past 2 years have returned Egypt to its prewar position of producing more than two-thirds of the world's supply. Largest proportionate increases have occurred in Sudan, where the record crop of 1956-57 was more than double that of 10 years ago. Cotton, mostly long staple for export, is as vital to the economy of Sudan as it is in Egypt, and its production is encouraged by government measures. Unfortunately, insects, disease damage, and unfavorable weather reduced Sudan's crop in 1957-58 to only 150,000 bales. Production in Peru is down too—about 20 percent. On the other hand, larger acreage allotments increased U.S. production from 49,000 bales in 1956-57 to nearly 78,000 bales this year.

Wartime Shortages

To people acquainted with cotton, shortages of the raw product are a little difficult to imagine. Nevertheless, during both world wars, this strong, fine-fibered cotton, stapling from 1⅜ to 1¾ inches, was in demand as a strategic material needed for defense, i.e., for such things as high-speed sew-

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Drums of U.S. tallow, loaded at San Francisco, are hoisted to barge in Osaka Harbor. Tallow is also shipped in bulk.

Plant Director Narayoshi Miyazaki shows Ralph Van Hoven of National Renderers Association giant tanks of liquid soap.

Japan's Modern Soap Industry Looks to the U. S. for Tallow

As soap sales mount Japan has become second largest buyer of U.S. tallow.

Soap is an essential part of better living. Japan's high-level economic activity has enabled the Japanese people to double their use of soap in the past 6 years. Among those who are benefiting from Japan's booming soap industry is the livestock industry of the United States, which supplies 95 percent of the tallow from which the soap is made.

Japan's imports of U.S. tallow now range from 100,000 to 120,000 tons a year. Sales of this magnitude have made Japan the second largest foreign buyer of U.S. tallow—Italy is first.

Part of the credit for this increased use of soap goes to the promotional work done in Japan by the U.S. Foreign Agricultural Service, the U.S. National Renderers Association, and the All Japan Soap Association. Why U.S. tallow is favored is explained by Kennosuke Kamata, managing director of the Japan Oil and Fat Processing Association.

"The United States," said Mr. Kamata, "is the only country in the world at the present time that can supply a great part of our total demand, and although there are seasonal fluctuations, American tallow is cheaper than tallow from other countries."

Mr. Kamata said that through long experience in using U.S. tallow, the Japanese soap makers are well aware of its characteristics so that its maximum utilization is possible. He also pointed out that the specifications for different grades of U.S. tallow are clearly differentiated, unlike those of some other countries, and hence it is easier to buy U.S. tallow according to its proposed uses.

Currently the Japanese are using 8.31 pounds of soap per person a year as against 3.98 pounds in 1951. Greater emphasis on public health and sanitation is one reason, more money to buy some of life's luxuries is another. Among these luxuries are clothes and washing machines, both of which require soap. (Japan's water is soft so that detergents are not necessary.)

To meet this demand for soap Japan has developed a modern and progressive soap industry. Typical is the Kyoshinsha Oils and Fats Chemical Industry Co., Ltd., of Osaka, the largest toilet soap manufacturer in Japan. The pictures on these two pages show how U.S. tallow is unloaded in Osaka Harbor and converted into soap in the Kyoshinsha plant. They were taken by Makato Naito of the American Embassy, Tokyo.

Flakes fall by gravity into milling machine where perfume and color are blended before extrusion in bar form.

For quality control daily analyses are made of all steps in soap making. All raw materials are also tested regularly.

Mr. Miyazaki and Ko Higihara, plant superintendent, check soap as it is extruded and before it is cut and stamped

Japanese soap got a big boost at the U.S. agricultural exhibit at the annual Japan International Trade Fair in Osaka, in April. More than 300,000 samples of quality soap made from U.S. beef tallow were distributed.

Left, inspecting soap in curing trays. Right, soap is loaded for delivery in Osaka. Japan's soap industry requires 250 million pounds of tallow annually.

Philippine Crops Still Suffering from Drought

Philippine agriculture is suffering the effects of severe drought, which began in 1957 and has continued through the first half of 1958. Some of the country's important farm products, including coconuts—the largest source of export earnings—have been affected.

Coconut production is expected to be down 25 to 30 percent in the first half of the year, and the low rate will continue unless substantial rain falls soon. Exports of coconut products are off too. In the first quarter of 1958 copra shipments were less than 80 percent of the quantity shipped in the comparable period of 1957. And coconut oil shipments reached only two-thirds of the previous year's total. The United States is a major outlet for Philippine coconut products, taking most of the coconut oil and desiccated coconut and about a third of copra exports.

Other important Philippine crops affected by the dry weather are rice, corn, tobacco, and abaca.

The 1957-58 rice crop is estimated 5 percent below last year and may be even smaller. The current estimate of import requirements stands at 174,000 tons, but if the drought continues this will probably fall short of actual needs. In late 1957 the Philippines received some U.S. rice under Public Law 480.

The 1957-58 corn crop is estimated at about 3 percent below 1956-57. The country will probably have to import some corn to maintain current consumption levels.

Tobacco production is also expected to be down, but some dark cigar leaf will still be exported. In recent years the Republic has encouraged production of light flue-cured, cigarette-type tobacco and has become self-sufficient in this product. So far this year the drought has not lowered production to the point where imports will be necessary.

In Mindanao the abaca crop is down about 30 percent from last year and in other areas it is short about 10 percent, mainly because of the dry weather. Mosaic disease and depressed prices have also contributed to the decline in abaca production.

Sugarcane, for which the United States is a major market, has not been seriously damaged so far. Output of sugar is expected to reach 1.3 million short tons (raw value), an increase of 170,000 tons over last year, when production declined because of a reduction in planted acreage. The drought may have affected last year's production to some extent. This year larger acreage has been planted and an increase in the amount of cane cut and sugar produced is expected; however, continued dry weather could reduce the sugarcane crop substantially.

New Cereals Plan To Help France Maintain Strong Wheat Position

The French Government this spring published a new cereals plan regulating prices and conditions of sale for wheat, barley, and corn for the 1958-61 seasons. The plan is designed to reduce the output of soft, bread-type wheat, which comprises most of the French wheat crop, and to stress durum wheat, barley, and corn—the raw materials of the food and feed industries. However, certain aspects of the plan are favorable to the producers of soft wheat, and the net effect may well be the continuation of the large French wheat crops of recent years. This would mean that France would maintain or enhance its position in the world's wheat trade.

The new plan increases from 6.8 million tons to 7.2 million the national marketing quota for soft wheat—that is, the share of the crop that benefits from the basic fixed price. The price paid for wheat delivered beyond this quota depends on the price obtained for wheat exports.

The plan also provides that the marketing quota may be further increased, dependent on the long-term agreements France is to conclude with other Common Market countries.

The target price for quota wheat in 1961 is somewhat below the current level of $2.17 per bushel (before tax reductions). Even so, the increase in the quota tends to assure greater cash returns for all but the smallest wheat producers. And these still benefit through exemption from the export subsidy tax and certain other taxes on the first 184 bushels delivered.

The new plan also provides special tax treatment for wheat producers who increase their production of approved varieties of wheat or of other grains, or who contract to deliver less soft wheat over the next 3 years. These tax exemptions are designed to steer production away from the less desirable varieties of wheat, or perhaps indirectly toward more meat production. Whether they will offer enough incentive to do so is doubtful. It is hard to conceive that the larger wheat producers would commit themselves to sizable cuts for the whole period 1958-61 simply for a partial tax exemption. This is especially so since the basic prices for alternative crops as well as for soft wheat are established only for the current or the succeeding harvest. Also, these prices may change through adjustments of the export subsidy tax.

Thus, the new plan—despite other indications, or even expressed intentions, to the contrary—will probably tend to maintain or increase France's current levels of wheat production.

Wheat Research Sponsored By Australian Government

Australia is planning wheat research and market development work similar to that done in the United States. Under 1957 legislation, wheat growers will contribute a farthing (U.S. .003) per bushel and the Commonwealth will match growers' contributions. The Wheat Industry Research Council and State research committees will work together to assure a broad and coordinated long-term program covering all phases of the industry from improved varieties to marketing, including foreign market development.

Turkish agriculturists examine rice grown in saline and alkaline soils at USDA Salinity Laboratory, Riverside, Cal.

Dr. Josip Gotlin, Yugoslav professor, at right, watches photosynthesis experiments at University of Florida lab.

U. S. Agriculture Opens Its Doors

By Cannon C. Hearne
Foreign Training Division
Foreign Agricultural Service

For more than a decade American agriculture has helped train manpower for the farmlands of the world. What visiting agriculturists have taken home is paying off in better farm practices for their own countries and bigger markets for our foods and fibers.

Peruvian students visit poultry station at Texas A&M. Below, M.A. Cheema, Pakistani agricultural official, greets USDA Under Secretary True D. Morse.

Since 1949, more than 21,000 foreign agricultural visitors have come to the United States to take a look at American agriculture and to study in our colleges and laboratories. Some have been students; others have been farmers, technicians, and educators. Businessmen have come, and so have government officials. And while this number is small in relation to the hundreds of millions of farmers throughout the world, what they have seen and learned here may some day change the pattern of agriculture around the globe.

I say "may" advisedly, for today there are many factors shaping agricultural practices. Progress stems from local pressures as often as from outside influences. Also, it is difficult to separate the influence of studies in the United States from the entire technical cooperation efforts of the postwar years. These efforts take place on the scene, where foreign agriculturalists and engineers learn by working along with U.S. technicians.

Thus we can never really determine just where the impetus comes from. But we do know that America's farms, its agricultural colleges, laboratories, and research stations have left vivid impressions. We know that our tillage techniques, our farm machinery,

After studying in the U.S., Vasfi Hakman introduces crates on Turkish state farm in place of bulk handling.

Youngster in school cafeteria in Alexandria, Va., grins at Mrs. K.M. Munshi, prominent Indian food specialist visiting the U.S. to study nutrition practices.

and our rural society itself have started wheels in motion.

There are new 4-P clubs in southern Sumatra, 5-K youth groups in the Celebes, and young farmers clubs in Ceylon, which came about partly because local agricultural leaders studied the 4-H club organization in the United States. The Danes started farm building and work simplification studies after touring our Midwest. Austrians, trained here, are initiating control of bovine TB. A Philippine home economist, inspired by our kitchens, has created a model kitchen out of bamboo for barrio homes; and a Turkish official who studied U.S. marketing methods in Oklahoma has introduced new standards of quality and packing in Turkey's egg industry.

Where They Come From

Last year American agriculture opened its doors to over 2,000 foreign visitors, from 90 different nations. Japan, Brazil, Turkey, Spain, Indonesia, the Philippines, and Yugoslavia sent the largest numbers—though groups from Germany, England, Australia, and Italy were substantial too. Ghana, one of the world's newest nations, was represented, so were Rumania and Poland.

Some of the visits are completely private. Some are sponsored by industry or are part of a cultural exchange program; and some are on the government-to-government level. But by far the greatest numbers of visiting agriculturalists are sponsored by the International Cooperation Administration and come from countries where ICA cooperates on agricultural development programs.

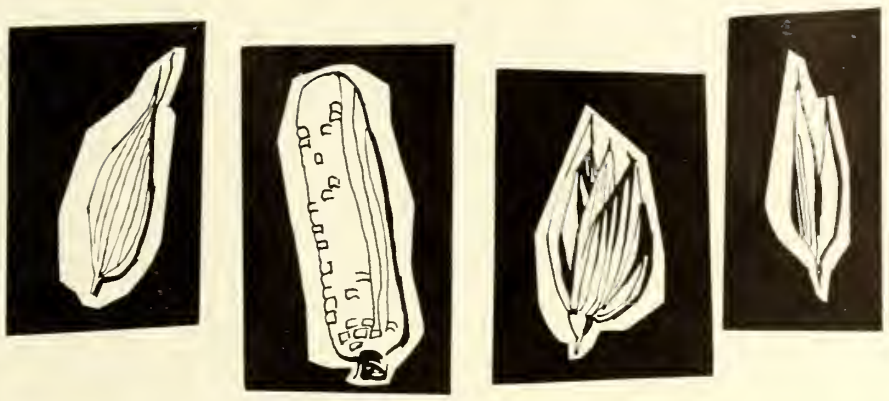
Program planning for our visitors is a job of considerable magnitude, and one in which the U.S. Department of Agriculture, with its knowledge of educational resources, has a leading part. Most of the training takes place on agricultural campuses of the land-grant colleges and universities, or through their extension services. Other training is carried out by the USDA laboratories and field agencies, commercial concerns, farmer organizations, banks, and farm credit officials—and, of course, by U.S. farmers themselves.

Within USDA, the training program is a cooperative endeavor. Although the Foreign Agricultural Service coordinates it, every Department service or agency contributes its knowledge of training, on subjects as diverse as school lunch programs and control of Newcastle disease in poultry.

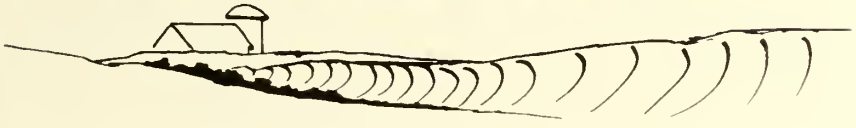
The Gain Is Mutual

The United States today is investing heavily in helping other nations help themselves in agricultural development. What do we gain from it? Many things; for exchange is not one-sided. These agricultural visitors bring us ideas too. Once we understand their problems and they ours, new agricultural markets open up. Sometimes import barriers are removed; sometimes new products are developed in our country to satisfy outlets abroad. The compilation of better agricultural statistics according to methods learned here has helped our farmers gage the foreign market.

But the principal gain is a long-range one. U.S. farmers benefit from stable economies overseas. Many of the newly developing nations are agricultural, and to build a stable economy they must improve their agricultural practices. Yet even increased production can hardly satisfy consumer demand in these countries because of their rapidly expanding populations and rising living standards; so as their economies develop, they become better customers for products from the United States, both agricultural and industrial.



U.S. FEED GRAINS Have bright future



OF ALL OUR farm products, feed grains probably have the brightest export future. We are the world's greatest and most efficient producer of these grains and are already the largest exporter. We have competition from Argentina, Canada, Australia, and a few other countries, but we believe world import demand will expand at such a rate that much of the increased demand can only be satisfied here.

Expansion of demand for feed grains will, of course, depend on the rate of economic development abroad to support higher standards of living and, naturally, on a stable economic and political climate in the world. If these conditions are assumed—and we really have no choice but to make that assumption—then the possibilities are such as to justify a major effort on our part.

Let me give a few figures to indicate the potential. We consume in this country about 160 pounds of red meat per capita each year and we all know this is by no means a limit. On the other hand, the average annual consumption of red meat in the six European countries that have just set up the Common Market area is only 86 pounds per head. Italy is the lowest with only 40 pounds per person. Another example is in the consumption of poultry meat. We consume nearly 32 pounds per person per year; in the six Common Market countries the average poultry consumption is only 7 pounds per head. If you add the United Kingdom to the Common Market countries the total population is 205 million people. Consumption of red meat in the United Kingdom is around 136 pounds per person, but poultry is only 7 pounds per capita annually.

Worldwide Potential

Now I'm not suggesting that overnight these countries will suddenly start consuming livestock products at the U. S. rate. But the potential exists. There is already a rising trend in Western Europe toward a better standard of living, and this will call for increased livestock production. And, if the present trend toward economic unification succeeds, there will be a basis for a much higher standard of living.

The opportunity to expand feed grain exports is not confined to Western Europe. Possibilities also exist in a number of other areas. Mexico, Brazil, the Caribbean area, and Central America are examples which should not be overlooked as these countries and others will become increasingly important in the future. However, about three-fourths of the world exports of feed grains go to Western Europe, and this overwhelming importance of Europe as the major feed market will continue. Last year Western Europe took 12.5 million tons of the total 16.7 million tons of feed grains exported.

The U .S. share of the total world exports last year was 6.2 million tons, or about 37 percent. We expect some increase this year and a general upward trend in the years ahead. Some projections we have made indicate that by 1965 our feed-grain exports should reach a total of 9.5 million tons.

These projections were necessarily made with certain assumptions in mind, one of which was that there would be no special programs such as Public Law 480 to assist exports. Thus, this 9.5 million tons, or the equivalent of 380 million bushels of corn, would move abroad for cash. With all such projections there are many things which can happen to invalidate them, yet I think our estimate will indicate to you the confidence we feel in the future for feed-grain exports. Given stable conditions, we frankly believe the forecast of increased feed-grain exports is on the conservative side.

Accelerating Demand

The time appears ripe for large-scale adoption in Europe of the management and feeding techniques that have revolutionized the poultry industry in the United States. Broiler production is catching on already. In Italy, broiler production has risen from 1 million birds in 1951 to 33 million in 1957, and it is estimated that 50 million will be produced this year. While this is a spectacular increase, it still represents only 1 bird per person compared to 7½ broilers produced per person in the United States.

A similar development is taking place in Britain. About 25 million broilers are currently being produced in the United Kingdom, and their broiler association has a target of 100 million birds by 1960. We understand they have a target beyond that of 300 million broilers per year—this would mean about 6 birds per person in the British Isles, or slightly less than our present per capita production. Production of this magnitude will mean

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Summary of a talk by Gordon O. Fraser, former Assistant Administrator, Market Development and Programs, Foreign Agricultural Service, to the National Federation of Grain Cooperatives meeting.

a tremendous increase in feed-grain imports. If my calculations are right, it takes around a 1¼ million tons of feed to produce 300 million broilers.

Our attaché in London recently visited two men who started broiler production 4 years ago with borrowed capital—$2,800. They are now producing 100,000 birds per month and have plans to expand their capacity at the rate of 35,000 birds per month. Similar development is also occurring in Holland, Denmark, and Germany.

Obstacles

There are several main problems which hinder the increased consumption of poultry in Europe. One is the traditional attitude that poultry is holiday fare (except in France); another is that prices have generally been above those for red meat. With modern techniques of production, prices can be reduced and, with promotional education, the public can be persuaded to consume poultry more regularly.

Europe generally is not yet familiar with frozen ready-to-cook poultry, and there is, in fact, a prejudice against frozen foods. There is also a lack of refrigeration equipment in retail outlets and homes. These problems sound familiar. We had all of them ourselves not too long ago. Surely they can be overcome in Europe just as here.

An active program is already underway in Germany to promote frozen ready-to-cook chickens and turkeys. This is being carried out by the American Institute of Poultry Industries under a market development contract with the U.S. Department of Agriculture. We believe there will be a market for our poultry products in Europe, even though we expect European production to increase. Germany, for instance, has issued tenders in the past 6 months for $2.5 million worth of poultry from the United States. This followed a small introductory sale under Public Law 480. Switzerland is also becoming an important market for our poultry, taking 7 million pounds last year.

Intensive Approach

I have mentioned only the possibilities that exist in the poultry field and the things that can be done to speed up development of a European industry along U.S. lines. With it will grow the demand for feed. The same is true for other livestock industries. How can this be done?

One answer may lie in convincing feed compounders in Europe to take the same intensive approach that companies in this country have. As you know, our feed manufacturers, as much as anyone else, spread the gospel to our farmers of the profitableness of proper feeding.

Cooperatives in Europe offer another excellent avenue of approach. Teams of the right people need to be brought to the United States to see how we do it. Educational films, pamphlets, and other material need to be developed for distribution to farmers, perhaps through government extension services as well as private channels. Technical help to feed manufacturers can be supplied. Milo, for instance, is still not as generally accepted as a feed in Europe as it should be. Also, we need to watch the quality of the feed grains delivered overseas—to help overcome traditional preferences for Argentine corn, for example.

One more problem and a difficult one needs to be mentioned. Internal prices paid to farmers in European countries are generally very much higher than the prices at which feed grain can be imported. Through one means or another, imported grain prices are equalized with internal prices. This, of course, makes use of feed grains for feeding livestock more expensive than it need be and consequently is a major factor limiting the demand for imports. Not much can be done about this perhaps for the time being, but it is to be hoped that in the long pull internal pressures in these countries will correct the situation.

As with other agricultural commodities, the success of our efforts to expand foreign markets for feed grains depends largely on the interest and participation of farm groups and organizations having a vital stake in the results. The availability of foreign currencies to finance market promotion programs has added a new dimension to the broad efforts being made to expand markets for our farmers.

WORLD Agricultural Summaries

Corn. Global output of corn, forecast at 6.6 billion bushels in 1957-58, is expected to set a new record — exceeding the previous record (1956-57) by 105 million bushels and the 1950-54 average by 975 million. Most of the increase is reported in Europe—particularly the Danube Basin countries—and South America.

Tobacco. Estimated production of leaf tobacco for harvest the first half of 1958, principally in the southern hemisphere, is expected to total nearly 2.6 billion pounds —2.5 percent above the first half of 1957. The areas anticipating the largest increases are the Federation of Rhodesia and Nyasaland, Brazil, Mexico, the Dominican Republic, India, Pakistan, and the Philippines.

Olive Oil. The 1957-58 production of olive oil in the Mediterranean Basin, which comprises about 98 percent of world output, is estimated at nearly 1.1 million short tons — 8 percent below last year's output. Unseasonable weather in some areas and Dacus fly attacks in others are the major reasons for the decline in the 1957 olive crop.

Whale and Sperm Oil. World whale oil production, forecast at 430,000 short tons, will be down 10,000 tons from last year. The major decline is in Norway, which had a poor Antarctic season. All other major producing countries are maintaining last year's levels of production, and Japan and the Soviet Union are even expected to substantially increase their output.

Sperm oil output will probably be up 15 percent to about 115,000 tons. Production in the Antarctic, which accounts for 40 to 50 percent of world output, was over a fourth greater than last year.

Foreign Competition *In Oils and Oilseeds*

THE UNITED STATES is the world's largest producer of oils and oilseeds, and our competitive position in the international market is enhanced by our large exportable supplies of these commodities. We ship about 45 percent of the edible oils and oilseeds that move in world trade and about 30 percent of the flaxseed and linseed oil. Without substantial supplies of our edible oils the importing countries of the world would find it hard to meet their requirements, since the amounts available for export from other countries fall short of what is needed.

For U.S. growers this trade is essential. Currently, our edible oil exports —mainly soybean and cottonseed oil— total about one-third of our production, flaxseed and linseed oil about one-fifth. We have the potential to produce even more, so the question is —can we move it into world trade?

Edible Oils Trade

Striking changes have occurred in the world trade pattern for edible oils and oilseeds. Before World War II, Asia was outstanding as the world's leading exporting area. Africa ranked second and South America third, followed by the Antarctic—with its whale oil—and Oceania. Europe was by far the leading importing area, but the United States also had a substantial net import balance. Thus, the flow of trade was largely from underdeveloped to industrial countries.

Today the situation has reversed itself somewhat. Population increases in the underdeveloped countries and their industrial and economic progress have boosted domestic consumption, with the result that in many of these countries oilseed production has not kept pace. In a few cases, production has actually declined.

This trend has resulted in a severe drop in exports from Asia and South America. India is an excellent example. Ranking first among exporting countries before the war, India now permits exports of edible oils only when domestic supplies are ample and domestic prices reasonably low. As a result, India's exports of edible oils since 1952—except for 1955—have been small; in fact, since 1956 they have been negligible.

China, which ranked second in the prewar period, is another example. While Communist China is still a leading oilseed exporter, the level is well below prewar. Apparently this level is achieved only by denying the Chinese people access to the supplies, for per capita consumption is extremely low. However, these exportable items comprise one of China's main sources of foreign exchange, thus the inducement is strong to make them available for export. Also, since trade is closely controlled by the Communist Chinese Government, oilseed exports are often made to serve political ends.

The drop in exports from Asia and South America has been counterbalanced by increased availability from Africa and North America—above all, from the United States, which has changed from a major net importer to the world's largest net exporter. Europe still remains the world's great import market, taking more edible oils now than before the war.

Competing Oils

Despite this enviable position, U.S. soybean and cottonseed oils face competition in world markets from many sources. They not only compete with cotton and soybean output from other countries but with other oils—peanut, olive, sesame, rapeseed, and sunflower. All of them are liquid and all are used as salad and cooking oils. Further, except for olive and sesame oils, which are relatively high priced, they compete strongly with each other as ingredients for margarine and shortening.

Besides the United States, the major exporting countries of these edible vegetable oils are China, Nigeria, French West Africa, and, in some years, India and Argentina. Recently the Sudan and the Union of South Africa have been forging ahead.

While the Mediterranean countries are large producers of olive oil, they are also large consumers, and because of price and taste preferences, consumption outside of the Mediterranean area is limited. However, variations in the olive crop affect prices and world trade in the other edible oils. When the olive crop is small, the Mediterranean countries sharply increase their imports of the other edible oils. This has resulted in a large percentage of our edible oil exports going to such countries as Spain, Turkey, Greece, Italy, and Morocco, mostly under Public Law 480 programs.

"Hard" Oils

The competition that U.S. edible oils meet in the manufacture of margarine—chiefly in Europe—also comes from the "hard" oils, i.e., those that are solid at room temperature, such as palm, coconut, and hydrogenated whale oil. These hard oils are blended with liquid oils to make a product of the desired consistency. Hence they are complementary up to a point, but because the proportions can be varied when prices encourage such changes, they are also competitive. For example, if prices of hard oils rose far enough, hydrogenated soybean oil could be used in their place. (Hydrogenation would convert soybean oil into a "hard" oil.) Formerly, the palm and whale oils were used largely for soap; their shift to margarine manufacture came about through greater availability of U.S. tallow at relatively low prices for soap-making.

The major exporters of copra and coconut oils are the Philippines, Indonesia, Ceylon, Malaya, and the South Pacific islands. Palm oil comes principally from Nigeria, the Belgian Congo, and Indonesia; other sources are Malaya and French West Africa.

Above, loading soybeans on ship in Tientsin Harbor. Right, peanut pyramids waiting transport in Nigeria. Below, Nigerian growers bring palm fruit to pressing mill. All three compete with U.S. oils and oil seeds.

Whale oil is produced mainly from whales caught in the Antarctic Ocean.

Competition among edible oils is determined by a combination of price and other factors. For example, the United States has an excellent dollar market for its cottonseed oil in West Germany where it is used in a high-quality margarine. Peanut oil can be used but ordinarily cottonseed oil sells for less than peanut oil. However, a short U.S. cottonseed crop last year and bumper peanut crops in Africa have reversed this price relationship and caused the German cottonseed oil market to be partly lost to African peanut oil during the current marketing season.

Dual Market for Soybeans

The United States and Communist China produce and export nearly all of the world's soybeans. There is a dual market for them. In the Western world the beans are crushed, the oil is used for both edible and nonedible products, and the meal is fed to animals. In the Orient a large portion is consumed as food.

Japan is one of the major markets for soybeans and it is a dual market. Here large quantities of beans go directly into food products, and the remainder are crushed. Yet even after the crushing, most of the meal is used for human food and very little for animals. While Japan imports many more soybeans from us than it takes from Communist China, there are signs that we may lose part of this market to China because Japan is short of dollar exchange. Some groups in Japan, mainly the steel industry, would like to expand trade with China as an alternative market for their products, which cannot be absorbed domestically. Two trade agreements between groups in Japan and China were signed earlier this year for just this purpose. Apparently they have fallen through, at least temporarily.

Where the United States gains most in world markets is through its large exportable supplies of soybeans. Europe has a sizable modern crushing industry which must be kept busy. Since the trend in many of the other oilseed-exporting countries is to crush the seed locally and only export products, Europe has increasingly turned to the United States for raw materials. India and Argentina, for instance, are exporting oilseed products and not the seeds.

Trade Prospects

In terms of human want the world market for edible oilseeds and oilseed

products seems almost limitless. But it is another matter when it comes to the ability to pay for these products. This gap has been bridged in some instances by the U.S. Government export programs — mainly Public Law 480. In the 1957-58 marketing year, somewhere over 60 percent of U.S. edible oil exports are being financed in this way. So, obviously, without such programs our exports would be much lower and the recipient countries would be consuming much less.

But over the long term, prospects for U.S. exports of edible oilseeds and oilseed products are bright. Population increases and the upward trend in per capita consumption suggest an expanding market. Also, it is not likely that foreign production will show any sudden major expansion. Actually, the trend seems to be toward reduced exportable supplies in some of the other exporting areas. This does not mean that there may not be times when we will have difficulty in moving large supplies. What it does mean is that in the long run U.S. exportable supplies, though large, should be able to move in the export market.

Nonedible Oils

The United States, Canada, and Argentina are the world's largest exporters of flaxseed and/or linseed oil, with most of the shipments going to Western Europe. In most of the recent years, world prices have been below those of U.S. support levels for flaxseed, so that U.S. exports have consisted mostly of CCC stocks that were acquired in price-support operations and were sold at competitive world prices. Canada does not support flaxseed prices, and while Argentina does, its support levels are below U.S. prices. Too, the Argentine Government maintains a complex foreign exchange system which readily lends itself to adjustments that can encourage or discourage exports of any given product.

Over the long run, the United States faces stiff competition from these two countries. Should price supports be maintained at the 1958 crop level, we would probably be able to export sizable quantities of flaxseed or linseed oil, or both, only in those years when supplies of foreign countries are considerably reduced by poor yields.

Turkey, Birthplace of Alfalfa, Now Exporting Seed to Europe

Above, U.S. crop specialist, T.V. Tibbutt, examines seed before bagging. Below, seed stacked for shipment to Germany, leading European seed buyer.

When the Persians marched across Southwest Asia in 480 B.C., they took with them to Greece the seeds of a leguminous forage plant, which the Arabs later named "alfacfacah." Today Turkey, the original home of this plant we know as alfalfa, is starting to export seed to Europe. Exports are still small, but in time may prove to be a source of foreign exchange for Turkey. Most of the world's alfalfa acreage now is in the Western Hemisphere—mainly in Argentina and in the United States where it is the most widely cultivated forage crop.

Cleaning and processing alfalfa seed in modern Turkish plant. New equipment was installed after first shipments brought low prices because of impurity.

Foreign PRODUCTION NEWS

Liberia is experimenting with a new type of ***coffee***. The new variety, found in Gola chiefdom, was on a 15-foot tree estimated to be 10 to 12 years old. The bright red berries are said to be larger than Robustas, but smaller than Libericas.

The ***USSR*** has indicated its plans to at least double its ***cotton*** output in the next decade or so through mechanization. Production this year is expected to reach 4.7 million tons, but planned increases in the next 12 to 15 years, if realized, would boost output to between 9 million and 10 million tons. Any such increase would meet all domestic needs and enable the Soviet Union to up cotton exports.

Argentine farmers who lost part of their wheat crop because of recent bad weather have plowed their fields and planted ***sorghum*** and millet. This is the first year that large quantities of sorghum have been sown in Argentina.

Canada has had a sharp increase in ***nonfat dry milk*** production during the last year. The Canadian Government has been buying large quantities under its price support program and will offer its present stocks, estimated at 30 million pounds, to several relief agencies. The United Nation's Childrens' Fund (UNICEF) will probably receive the largest share.

Communist China aims to supplant India as the world's biggest ***tea*** producer by 1962, according to a Peking radio announcement. It now ranks third with a reported production in 1957 of 113,000 metric tons. Ceylon is in second place.

Brazil has had heavy ***cattle*** losses because of severe drought in the northeast part of the country. Conditions are unusually bad in the States of Ceara, Rio Grande do Norte, Paraíba, and pernambuco.

Great Britain has been testing a promising new ***sugar beet seed***, which trials indicate might yield up to 12 percent higher than existing seed. Limited quantities have been shipped to factories for distribution to growers. Its outstanding characteristic is three sets of chromosomes.

Portugal's 1958 ***almond*** crop, forecast at 3,000 short tons, is less than half of the 6,200 tons harvested in 1957 and only 60 percent of the 1951-55 average of 5,000 tons. Heavy rains that destroyed many blossoms during flowering are responsible.

Japan's agriculture suffered widespread damage from an unseasonable cold snap in March. The expected crop loss is considered to be substantial. Winter grain losses are placed at 19 percent for wheat, 25 percent for common barley, and 10 percent for naked barley. Damage to rapeseed is estimated at 18 percent and fruit crops, 21 percent.

Costa Rica's banana production suffered severe wind damage for the third consecutive year, early this spring. About 900,000 banana plants, more than half in fruit, were blown down and destroyed. Costa Rica produces 10 million to 15 million stems of bananas a year—most of which are shipped to the United States.

Argentina has removed the last retail price controls from ***commodities*** considered essential. Items affected are wheat, corn flour, French-type bread, soda water, mate tea, and brooms.

The ***Union of South Africa*** has fixed the basic producer price for its most important food crop, ***corn***, during the 1958-59 marketing season (May-April). It is set at equivalent U.S. $1.16 per bushel, 2 cents below last season's price. The price is fixed high enough to cover production costs and the margin of profit considered necessary to maintain desired output. The Union's corn price control program comes under legislation designed to protect producers and consumers against wide price fluctuations caused by changes in local and world supply and demand.

Argentina, alarmed by the large numbers of ***heifers and cows*** being slaughtered, has banned the slaughter of cows obviously in calf. The heavy cattle slaughter in 1957 and early 1958, which resulted from low prices and relatively low returns for cattle in relation to other farm enterprises, included a high proportion of breeding animals.

Austrian Farm Supports

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as feed concentrates, fertilizers, and high-quality seeds. It promotes research and extension work and encourages land consolidation. It gives farmers indirect aid through easing of credits and through tax relief. To mountain farmers, it gives special assistance, in view of the unfavorable conditions under which they have to operate.

The present support system is based on several laws which, with some modifications, have been in force since 1950. These laws are now to be consolidated within a single basic agricultural act. The first draft of this basic act, submitted by the Ministry of Agriculture in 1956, called for more extensive price and marketing controls and also for stronger protection against foreign competition than the present legislation. The representatives of business and labor have strongly opposed this draft proposal, and its enactment has so far been delayed.

In the meantime, Austria has been confronted with the planned Free Trade Area and other European integration schemes. Participation in any of these projects would require adjustments in farm protection. Austria's future farm program is therefore likely to remain in abeyance as long as the new free trade system has not crystallized, and the present support program will probably be continued.

Austria's farm support program over the years has raised output above prewar levels and thus made it possible to cover a larger share of food requirements from home production. With higher farm incomes due to the support program, the technical efficiency of farming has greatly improved. However, the mountain farmers' problems, which are the result of natural conditions and locations unsuitable for efficient agriculture, remain unsolved.

It is idle to speculate about the advantages and disadvantages of the farm support system, since political and social considerations have rooted it strongly in Austria's national policy. A purely economic assessment could only be made upon reasonable evaluation of the possible alternatives for using the country's resources.

Long Staple Cotton

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ing thread, parachute cloth and lines, rainwear, and tire cord. Because there wasn't enough extra long staple cotton to go around, production was stimulated by government programs, especially in the United States. Again in the Korean War the same problem arose. This time the United States bought 280,000 bales for its stockpile of strategic materials and paid the highest price on record, as the world supply of all cotton was then critically short for the first time since the Civil War.

Following this short supply situation of the early 1950's, prices of foreign growths dropped from $1.33 per pound to a more normal 52 cents. And, except for the big crop year 1952-53, the balance between extra long staple supply and demand remained favorable through 1956, more than a year longer than for upland. But in 1955 and again in 1956, prices, affected by the Suez crisis and Communist buying of Egyptian cotton, reached a post-Korean War record. During 1956 and for the first 3 months of 1957, c.i.f. Europe prices continued at levels more than 25 percent higher than the average for 1954 and 1955.

Other factors contributed to this price rise. Acreage was reduced both in Egypt and the United States. Confidence was restored in consuming countries by the initiation in 1956 of the U. S. export sales program for upland cotton. This stimulated the textile industry, and both upland and extra long staple cotton benefited.

Then came the Egyptian-Soviet cotton deals. There was considerable uncertainty about these; the Egyptians were not sure how much cotton the Soviets would buy or when they would buy it. And this was followed by the Suez crisis, which cut off trade with the United Kingdom—a very large customer—and with France. As a result, demand slackened, surpluses became evident, and prices began to fall.

Early in June, c.i.f. Liverpool prices for Egyptian Karnak Fully Good grade

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U.S. Canned Fruit Prices Compete Favorably in U.K.

U.S. canned peaches — slices and halves—are selling at levels well below competing Australian and South African peaches in the U.K. market, despite duty differences favoring Commonwealth-produced fruit. Fruit from Commonwealth countries pay only a nominal duty based on sugar content of the fruit, while that shipped from the United States must pay a much higher duty charge—equal to 13¼ percent of the c.i.f. value. In addition Commonwealth shippers receive quantity discounts ranging from 6.9 U.S. cents per case for 20,000 to 39,999 cases to 27.8 cents for 80,000 up.

This spring U.S. choice grade peaches in No. 2½ cans were about 55 cents per dozen cheaper than Commonwealth counterparts in the U.K. market. The price for U.S.-produced fruit cocktail in No. 2½ cans was 7 cents per dozen less than standard-grade Commonwealth fruit cocktail.

Commonwealth canned fruits are reportedly selling at their official minimum prices—the same for both Australia and South Africa. These prices are lower than those of 1957, except for canned apricots on which prices were lowered in 1957.

Swiss Praise of U.S. Poultry Spurs Industry Competition

The European poultry industries have been quick to recognize the popularity of U.S. quick-frozen ready-to-eat poultry in Switzerland. As a result, the poultry exporting countries as well as Swiss producers are switching from "French dressed" to fully eviscerated birds and are trying to compete with U.S. high quality, attractive packaging, and favorable price.

The Swiss however, have indicated some changes they would like to see in the poultry they buy from the United States. They would like less variation in weight per bird, preferring a maximum range of 2 ounces, which would make possible a uniform per-bird price. They would also like better drainage before freezing which would reduce discoloration and weight loss, smaller vent openings, and consistent quality in packaging.

Japan Announces New Import Lists

Japan's Ministry of International Trade and Industry has announced the list of commodities that can be imported under the automatic approval system through September 1958. The foreign exchange budget for this system has been set at $330 million for April-September 1958—the same as the preceding 6 months.

The new list contains several changes, which may affect U.S. farm products moving to Japan. Beef casings and hog casings have been added to the automatic approval list. And frozen beef, frozen pork, and lemons, which were formerly imported under the automatic approval system, have been switched to a more stringent list.

Egypt To Buy Russian Wheat

Egypt and the Soviet Union reportedly have made an agreement whereby Egypt will buy 150,000 metric tons of Russian wheat in monthly consignments beginning in September and ending in December 1958. The deal is valued at more than equivalent $10 million. In return, the Soviet Union will continue to import cotton from Egypt. Last year Russia's cotton shipments from Egypt totaled 191,000 bales (500 pounds each).

Total trade between these two countries has expanded rapidly in the last 2 years. Egypt's exports to Russia jumped from equivalent $15.9 million in 1956 to $89.8 million in 1957.

Long Staple Cotton

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were 45.38 cents per pound, 38 cents lower than the price 16 months ago. Prices of Sudanese and Peruvian cotton have followed the downward trend. However, prices of U.S. extra long staple, under price support at 75 percent of parity, have continued at about 69 cents per pound, substantially above prices of competitive growths.

To move cotton into export channels, Egypt in 1957 employed a number of special currency arangements. Further, the recently introduced currency system in Egypt permits continuation of low prices by what amounts to devaluation of the Egyptian pound. Export taxes have also been reduced.

Prospects

Total world exports thus far in 1957-58 appear to be at an annual rate a little above the 1-million-bale total for 1956-57, but only by reason of considerably larger exports to Communist countries. But unless this year's total trade and consumption exceed 1956-57, prospects are for an increase in carryover stocks in exporting countries on August 1, 1958, of about 180,000 bales or 25 percent. This will not brighten the outlook for 1958-59, especially in Sudan, where plans for expanded production are well developed.

What lies ahead is somewhat uncertain. The recent price drops, reflecting consumer resistance to artificially high prices, may stimulate trade and consumption. With lower prices, extra long staple cotton will be able to compete more effectively with synthetic fibers and upland cotton in the manufacture of fine quality textiles. For this reason, American Egyptian producers have asked Congress to lower minimum price support from 75 percent to 60 percent of parity. This move would strengthen their position in world markets and aid them in promoting the use of this superior cotton. Stocks in consuming countries are probably quite low, and this too may stimulate buying. Unpredictable, of course, are exports to the Communist countries.

Any immediate large increases in production would adversely affect the supply-demand situation, and naturally depress prices. To what extent these lower prices would cause trade and consumption to pick up, or production adjustments to take place during the next year or so, remains to be seen.

British Price Supports

(Continued from page 8)

the market. With the visible subsidy burden as heavy as it is—in part because of the decline in market prices—the policy of uncontrolled imports and deficiency payments has been questioned in some quarters. Thus, the National Farmers Union of England and Wales, at its annual meeting last January, called upon the government to regulate imports of pork and pork products. It also unanimously passed a resolution expressing concern at the extent of food imports, which depress home market prices and raise deficiency payments to unnecessarily high levels.

Shortly thereafter, during a debate on agriculture in the House of Commons, several Members suggested higher protection against food imports. They wished Britain to produce a much larger proportion of its food supplies, but could not see that taxpayers would willingly continue to pay the equivalent of $700 million to $840 million for the support of agriculture. These views, however, do not seem to be widely held. At present there is no indication of a move to shift policy in the direction of price support through import control.